

Message Text

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ACTION ARA-10

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SUBJ: PESCA-PERU FISHING FLEET TO BE TRANSFERRED TO
PRIVATE SECTOR

REF: LIMA 3472, LIMA 4171

1. SUMMARY: THE GOP HAS ANNOUNCED ITS DECISION TO RETURN THE ANCHOVY FISHING FLEET TO THE PRIVATE SMALL BUSINESS SECTOR. PESCA-PERU, THE STATE FISHING AGENCY, WILL CONTINUE TO CONTROL THE PROCESSING AND SALE OF FISH MEAL AND FISH OIL. ALTHOUGH THE RETURN OF THE FLEET TO PRIVATE OWNERSHIP SHOULD HELP PESCA-PERU TRIM ITS OVERWHELMING DEFICIT, IT PROBABLY WILL NOT DO MUCH TO RESOLVE THE CRISIS IN PERU'S ANCHOVY FISHING INDUSTRY. END SUMMARY.

2. IN A DECREE LAW ADOPTED JULY 20 THE GOP AUTHORIZED THE RETURN OF THE PESCA-PERU ANCHOVY FISHING FLEET TO THE PRIVATE SMALL BUSINESS SECTOR. THIS TRANSFER, ACCORDING TO LIMITED OFFICIAL USE

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D.L. 21558, WAS NECESSARY TO MAINTAIN PRODUCTIVITY AND,

AT THE SAME TIME, CONSOLIDATE DEVELOPMENT OF THE FISHMEAL AND FISH OIL INDUSTRIES.

3. THE DECREE LAW SETS RULES FOR THE TRANSFER OF FISHING BOATS TO PRIVATE OWNERSHIP WHILE SPECIFICALLY RESERVING FOR PESCA-PERU CONTROL OF TRANSPORT AND SALE OF ALL PRODUCTION. DEALING ONLY WITH BOATS WITH CAPACITIES OF LESS THAN 620 METRIC TONS, THE LAW REGULATES ALL ASPECTS OF THE RETURN OF THIS PART OF THE PESCA-PERU OPERATION TO PRIVATE INDUSTRY. ANY COMPANIES FORMED IN THE TRANSFER MUST SATISFY THE TERMS OF THE LAW GOVERNING THE SMALL BUSINESS SECTOR, D.L. 21435 (LIMA 1888). THE REGULATIONS PROVIDE FOR WORKERS' GROUPS TO HAVE FIRST PRIORITY TO PURCHASE THOSE BOATS VALUED AT LESS THAN THREE MILLION SOLES, WITH 20 PERCENT DOWN AND FIVE YEARS TO PAY THE REMAINDER OF THE COST. FORMER OWNERS WHOSE BOATS WERE EXPROPRIATED WILL HAVE PREFERENCE IN THE PURCHASE OF THOSE BOATS VALUED AT MORE THAN THREE MILLION SOLES AND WILL BE ABLE TO APPLY UP TO 70 PERCENT OF THE GOVERNMENT BONDS THEY RECEIVED UPON EXPROPRIATION TOWARD THE PURCHASE PRICE OF THE BOATS. THE PREFERENCES FOR BOTH CATEGORIES WILL CONTINUE FOR A 90-DAY PERIOD.

4. THE NEW LAW SPECIFIES THAT THE FLEET IS ONLY TO FISH FOR ANCHOVY, AUTHORIZES PESCA-PERU TO SET LIMITS ON THE AMOUNT OF THE CATCH AND REGULATE THE PERIODS WHEN FISHING IS PERMITTED, AND REQUIRES THAT THE FISHERIES MINISTRY GIVE EXPRESSED PERMISSION TO ANY OTHER FISHING FLEET ACTIVITY. ON THE FINANCIAL SIDE, THE BANCO INDUSTRIAL DEL PERU IS CHARGED WITH PROVIDING LOANS TO THOSE WORKERS OR GROUPS OF WORKERS WHO WANT TO PURCHASE BOATS AND CAN MEET THE REQUIREMENTS OF THE DECREE.

5. COMMENT: A. THE ACTION TO TURN OVER THE ANCHOVY FISHING FLEET TO THE PRIVATE SMALL BUSINESS SECTOR WAS CORRECTLY CHARACTERIZED AS AN EMERGENCY MEASURE BY MINISTER OF FISHERIES REAR ADMIRAL FRANCISCO MARIATEGUI. ACCORDING TO MARIATEGUI PESCA-PERU HAD ACCUMULATED A LIMITED OFFICIAL USE

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DEFICIT OF 14,000 MILLION SOLES (\$215 MILLION) PRINCIPALLY DUE TO HAVING TO PAY SALARIES TO A WORK FORCE THAT INCLUDED AN EXCESS OF 5,600 WORKERS (WE HAVE HEARD UP TO 9,000) WHETHER THEY WERE FISHING OR NOT. MARIATEGUI CLAIMED THAT THE SALE OF THE FLEET WOULD RESULT IN A SAVINGS OF 7,3000 MILLION SOLES (\$112 MILLION).

B. REGARDING THE EXCESS WORKERS, MARIATEGUI INDICATED THAT THEIR JOBS WOULD BE PROTECTED SINCE THE BUYERS OF THE BOATS WOULD BE REQUIRED TO CONTRACT A SPECIFIC NUMBER OF SAID WORKERS. MOREOVER, THE LABOR STABILITY LAW WOULD CONTINUE TO APPLY TO THESE WORKERS UNDER THEIR NEW EMPLOYERS.

C. IT IS DOUBTFUL THAT THERE WILL BE A GREAT RUSH BY FORMER OWNERS TO RE-ENTER THE ANCHOVY FISHING BUSINESS. UNDER THE PROTECTION TO THE WORKERS DESCRIBED BY THE FISHERIES MINISTER, THE OWNERS WOULD BE SUBJECTED TO THE SAME LABOR CONDITIONS WHICH PUSHED PESCA-PERU INTO A DEFICIT POSITION. MOREOVER, THE BOATS ARE TO BE SOLD AT THEIR VALUATION AT THE TIME OF EXPROPRIATION, PLUS AN ADDITIONAL CHARGE FOR MAINTENANCE BY PESCA-PERU DURING THE INTERVENING THREE YEARS. HOWEVER, MOST RELIABLE REPORTS INDICATE THAT PESCA-PERU HAS ALLOWED THE MAJORITY OF THESE BOATS TO DETERIORATE IN THIS PERIOD. FINALLY, AS POINTED OUT BY ONE FORMER OWNER, SINCE PESCA-PERU WILL STILL CONTROL THE PURCHASE OF THE ANCHOVY CATCH, SET THE PRICE, AND MARKET THE FISHMEAL AND FISH OIL, THERE WILL BE NO GREAT INCENTIVE TO RE-ENTER THE ANCHOVY FISHING BUSINESS.

D. RETURN OF THE FLEET TO PRIVATE OWNERSHIP IS ALSO LIKELY TO EXACERBATE THE RADICALISM ALREADY EXISTING AMONG THE WORKERS IN THE INDUSTRY. ALREADY THE FISHERMEN'S UNION OF PERU (FEDERACION PESQUERA DEL PERU) HAS ISSUED A COMMUNIQUE ARGUING AGAINST A TRANSFER OF THE FISHING FLEET TO PRIVATE INDUSTRY. APPARENTLY THE FEDERATION IS CONCERNED THAT THE PRIVATE SECTOR WILL NOT PURCHASE A SUFFICIENT QUANTITY OF BOATS TO PROVIDE ENOUGH NEW JOBS TO ABSORB THE LARGE NUMBER LIMITED OFFICIAL USE

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OF FISHERMEN EXPECTED TO BE RELEASED FROM PESCA-PERU.

E. IN SUM, IT APPEARS THAT DESPITE THE NEW DECREE LAW, PERU'S TROUBLED ANCHOVY FISHING INDUSTRY STILL FACES AS MANY PROBLEMS AS IT DID BEFORE.

6. SPANISH TEXTS OF DECREE LAW 21558, AS WELL AS SUPREME DECREE 009-76-TR WHICH ESTABLISHES REGULATIONS COVERING WORKERS IN THE PRIVATE SMALL BUSINESS FISHING SECTOR, POUCHED SEPARATELY.
DEAN

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